

Message Text

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LIMITED OFFICIAL USE HONG KONG 12331

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E.O. 11652: N/A

TAGS: EFIN PRC

SUBJ: COMMERCE DEPARTMENT DRAFT OF "FINANCIAL ASPECT OF TRADE BETWEEN
THE U.S. AND PRC"

1. AFTER DISCUSSION VARIOUS COMMENTS IN PROPOSED DRAFT WITH METSON,
WE HAVE TWO SUGGESTIONS BOTH RELATED TO THE SECTION ON RMB EXCHANGE
RATE AND FORWARD CONTRACTS.

2. THE STATEMENT "THE EXCHANGE RATE THAT THE BOC ESTABLISHES
WITH ALL HER TRADING PARTNERS ARE INTERNALLY CONSISTENT WITH VALUES
OF INTERNATIONAL CURRENCIES" SEEMS TO STRONG. THERE IS NO QUESTION
THAT THERE IS A TENDENCY IN THAT DIRECTION BUT DIVERGENCES DO
EXIST FOR DAYS AND WEEKS AT A TIME, E.G., \$HK, EITHER BECAUSE ARBITRARY

FACILITIES ARE NOT GOOD OR BECAUSE THERE SEEMS TO BE SOME THRESHOLD
OF CHANGE THAT HAS TO BE CROSSED BEFORE THE BOC READJUSTS THE
RATE. THE LANGUAGE SHOULD BE MODIFIED ACCORDINGLY.

E. TO THE EXTENT RMB/DOLLAR FORWARD CONTRACTS ARE AVAILABLE IN THE
U.S. TO U.S. BUSINESSMEN, THE BANKS THAT ARE WILLING TO PROVIDE
THESE FACILITIES SHOULD BE LISTED.
CROSS

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